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HYDRO-ELECTRIC INQUIRY COMMISSION

REPORT

ON

GUELPH RADIAL RAILWAY

W. D. GREGORY, CHAIRMAN

M. J. HANEY

LLOYD HARRIS

J. ALLAN ROSS

R. A. ROSS

COMMISSIONERS


JOSEPH H. W. BOWER

SECRETARY









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To His Honour Henry Mackenzie, Lieutenant-Governor of the Province of Ontario.

May it Please Your Honour:-

In pursuance of the directions contained in the Royal Commission directed to us to inquire into, consider and report upon all matters of expenditure and administration by the Hydro-Electric Power Commission of Ontario, (hereinafter called "the Commission"), we have heard evidence and examined all documents, records, agreements, by-laws and statutes relating to the business and affairs of The GUELPH RADIAL RAILWAY by the Commission on behalf of the Municipal Corporation of the City of Guelph, and herein respectfully submit this Report thereon.

Purchased by the Municipality of the City of

Guelph of the Guelph Street Railway, and

incorporated by the City for the purpose of

The Guelph Street Railway, built in 1894 by George Sleeman, was acquired by the City of Guelph in 1902 by the purchase of the outstanding capital stock of the Guelph Radial Railway Company for \$300,000.00 and the assumption of a bonded indebtedness of \$48,000.00. Extensions and betterments were made by the City from time to time, and in 1918 the estimated value of the system was about \$260,000.00.



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GUMPHREY RADIAL RAILWAY

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To His Honour Henry Cookshutt,

Lieutenant-Governor of the Province of Ontario.

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Purchase by the Municipality of the City of

Guelph of the Guelph Street Railway, and

Negotiations by the City for disposal of same

The Guelph Street Railway, built in 1894 by George Sleeman, was acquired by the City of Guelph in 1902 by the purchase of the outstanding capital stock of the Guelph Radial Railway Company for \$30,000.00 and the assumption of a bonded indebtedness of \$48,000.00. Extensions and betterments were made by the City from time to time, and in 1919 the estimated value of the System was about \$200,000.00.



To His Honour Henry Cockburn,

Lieutenant-Governor of the Province of Ontario.

May it please Your Honour:-

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Negotiations by the City for disposal of same

The Guelph Street Railway, built in 1894 by George Slesman, was acquired by the City of Guelph in 1902 by the purchase of the outstanding capital stock of the Guelph Guelph Railway Company for \$20,000.00 and the assumption of a bonded indebtedness of \$48,000.00. Extensions and betterments were made by the City from time to time, and in 1912 the estimated value of the system was about \$200,000.00.



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The Railway had never been financially successful and annual deficits had to be met out of the City's revenues from taxes. The experience of Guelph with its transportation system was not unusual. It was much the same as that of other cities of the same size.

In addition to its street railway, the City owned the Guelph Junction Railway, a steam road, which was operated by the Canadian Pacific Railway under an agreement, with satisfactory results to the City, which had received a return in 1921 of \$86,000.00 on an investment of \$171,000.00.

The Grand River Railway, a subsidiary of the Canadian Pacific Railway, operated radial lines in and connecting Preston, Waterloo, Kitchener, Galt and Hespeler, and the Lake Erie and Northern Railway, another subsidiary, connected these towns with Paris, Brantford, Simcoe and Port Dover. An extension of the Grand River line from Hespeler to Guelph would have enabled the Canadian Pacific Railway to operate the Guelph Street Railway as part of its system, and, having in view the satisfactory results of the City's agreement in respect of the Guelph Junction Railway and the probable mutual advantage to be derived from the operation of the street railway by the Canadian Pacific Railway, the City Council opened negotiations with that railway in the hope that an arrangement might be made, which would relieve the Municipality from the burden of

agreement with the Grand River Railway had outlined the



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annual deficits on operation of its street railway.

An agreement, subject to ratification by the electors of the City, was concluded for the management of the street railway and the building of a line to connect it with the Town of Hespeler, by the Grand River Railway Company. A by-law to confirm this agreement was submitted to the electors of Guelph, August 11th, 1919, but was defeated.

Apparently the main contributing causes of defeat of the by-law were:

1. Weight given to the view expressed by Mr. J. W. Lyon, influential in the affairs of the City and President of the Guelph Junction Railway for seventeen years, that the Canadian Pacific Railway was not entering into the agreement through its subsidiary for the sole purpose of helping a harrassed Council to overcome difficulties with street cars, but that the Company intended to divert freight from the Guelph Junction Railway to the Grand River radials, which would connect Guelph with Port Dover and rob Guelph of revenue from its steam road.

2. That the agreement would in effect give a private corporation control of the City's streets.

3. The campaign against the by-law by members and officers of the Commission and of the Hydro-Electric Railway Association. In the words of Mr. J. M. Taylor, another prominent citizen of Guelph:

"The Hydro organization got to work, the papers immediately dropped pushing the Canadian Pacific contract and it was voted down."

The Commission in opposing the ratification of the agreement with the Grand River Railway had outlined the



annual deficits on operation of its street railway.  
An agreement, subject to ratification by the  
electors of the City, was concluded for the management  
of the street railway and the building of a line to con-  
nect it with the Town of Nepean, by the Grand River  
Railway Company. A by-law to confirm this agreement was  
submitted to the electors of Nepean, August 11th, 1913,  
but was defeated.

Accordingly the said street railway was not built.

of the by-law were:

1. Relief given to the view expressed by Mr.  
J. W. Lyon, informant in the article on the  
City and Town of Nepean, that the Grand River  
Railway Company was not entitled to the same  
treatment as the street railway, but that it  
should be helped in every way possible to overcome  
the difficulties which it was bound to meet, and  
that the City should be allowed to divert freight from the  
Grand River Railway to the Grand River  
Railway, which would connect Nepean with Port  
Bever and the Grand River from the street  
road.

2. That the Grand River Railway should be allowed to  
operate on the same basis as the street railway.

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street railway.

"The Grand River Railway was not entitled to the same  
treatment as the street railway, and the Grand River  
Railway was not entitled to the same treatment as the  
street railway."

The Commission is of the opinion that the Grand River  
Railway was not entitled to the same treatment as the  
street railway.

agreement with the Grand River Railway was not valid.



benefits which it contended would accrue if the road were operated by the Commission instead of by the Canadian Pacific.

By the end of the same year, 1919, the Council decided to transfer their railway to the Commission and a campaign was inaugurated and conducted by or under the direction of the Commission and the Hydro-Electric Railway Association in favor of the approval by the electors of two by-laws, one providing for the acquisition of the railway by the Commission, the other including the railway in a Hydro-Radial scheme. The Commission in a report to the City outlined three schemes for the operation of the road, all of which contemplated yearly deficits running from \$6,000.00 to \$17,000.00, so long as the road was operated alone. The campaign in favor of the two by-laws had for its foundation the development of Guelph as an important unit in a radial system. Apparently no effort was spared to impress the electors with the benefits they would derive from having their railway operated by the Commission and at the same time having it form a part of the Commission's radial scheme.

The inducements held out to the electors may be illustrated by the following advertisement inserted in local papers on December 29th, 1919:







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"REMEMBER - Guelph is offered a partnership with other municipalities in a system of Hydro-Electric Railways that will make Guelph grow, that will pay us \$150,000.00 for our Street Railway, that will give us a REAL street railway with REAL SERVICE, that will give us the outside connections we need, that will give us a line to Puslinch Lake, and that will not cost the taxpayer one dollar."

The consideration of \$150,000.00 to be paid to the City had evidently been impressed on the electors, as earlier in the same month the following sentence appears in the editorial column of a local paper:

"We obtain a ten-minute service, an up-to-date road, and \$150,000.00 in cash."

Both by-laws were passed, but were ineffective as the Hydro-Radial scheme was not approved by the other municipalities interested.

Application was made to the Legislature during the Session of 1920 for an Act sanctioning the purchase of the Railway by the Commission, but the application was not granted.

In January, 1921, a new agreement was submitted to the electors and ratified. The Legislature confirmed this agreement by "The Guelph Railway Act, 1921".

A material difference between the agreement of 1919 and that submitted in January, 1921, was that the former agreement provided for the City receiving \$150,000.00 for the railway from the Commission; the latter contained the same provision, but with the additional clause to the



... is offered a partnership with  
... in a system of...  
... will not cost the taxpayer one dollar."

The consideration of \$150,000.00 to be paid to the

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"... and \$450,000.00 in cash."

... were ineffective  
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... the application was not  
granted.

In January, 1921, a new agreement was submitted  
... by "The Great Railway Act, 1921".

... with the additional clause to the  
provision, but with the additional clause to the



effect that the City agreed to bear the cost of acquiring the railway, so under the agreement ratified by The Guelph Railway Act, 1921, the City has to provide the Commission with the funds which the Commission pays to the City for the railway. There was no evidence adduced before us to show whether or not this difference between the agreement of 1919 and that of 1920 was considered, or that any weight was given to it, by the electors, when a vote was taken in January, 1921, on the 1920 agreement.

#### Appraisal and Purchase Price

Prior to the purchase of the railway, a valuation was made by the engineers of the Commission. In this valuation \$15,603.00 was included as the value of assets apparently of an intangible character. The values assigned to the various classes of assets in this valuation, which was dated May 1st, 1921, were as follows:

#### Capital Assets

Engineering and Superintendence	\$4,954.00
Right-of-way	575.00
Track and Roadway Construction	71,285.00
Electric Line Construction	7,848.00
Real Estate used in Operation of Road	2,154.00
Buildings and Fixtures used in	
Operation of Road	17,206.00
Power Plant Equipment	500.00
Shop Tools and Machinery	1,814.00
Cars	10,186.19
Electrical Equipment in Cars	12,330.00
Miscellaneous Equipment	243.00
All, other, including intangibles	<u>15,603.00</u>

T o t a l

\$144,698.19







The agreement, which is dated 8th December, 1920, provided that the City should sell and the Commission should purchase the railway for a consideration, as set out in Clause 2(a), of \$150,000.00, payable, including interest at  $4\frac{1}{2}$  per cent. per annum, in instalments of \$11,700.00 in each year for twenty years in half-yearly payments, on 1st May and 1st November, the first of such half-yearly payments of \$5,850.00 to be made on 1st November, 1921. The agreement further provided that the City should "bear the cost of acquiring, equipping, operating, maintaining, repairing, renewing and insuring the railway and its property and works as established by the Commission".

Section 5(3) of the Act provided, in part, that:

"In the event of the revenue derived from the operation of the railway being insufficient in any year to meet operating or working expenses including electrical power or energy and the cost of administration and the payments provided for in clause 2(a) of the said agreement and the annual charges for interest and sinking fund on the bonds and for the renewal of any works belonging in whole or in part to the railway, such deficits shall be paid on demand of the Commission by the Corporation, and any arrears of the Corporation shall bear interest at six per cent. per annum."

Thus, while the Commission is required to pay the City \$150,000.00 and interest, the City is required to pay to the Commission any deficit arising through the revenue being insufficient to meet the operating expenses, the cost of power and administration, the payments to be made







to the City under Clause 2(a), the annual charges for interest and sinking funds and the cost of renewing the whole or any part of the railway.

provision for removal of track, was \$15,874.51, and for  
Rehabilitation.

In a report prepared by the engineers of the Commission in November, 1919, the estimated expenditure required for rehabilitation was placed at \$197,000.00.

The expenditure for this purpose up to January 31st, 1923, amounted to approximately \$265,700.00, so that it then exceeded the estimate by approximately \$68,700.00.

or 35 per cent. It appeared from the evidence given before us at Guelph that in the opinion of some of the citizens, at least, the cost exceeded that at which the work might have been done if more efficient and economical methods had been adopted.

In rehabilitating the railway the Commission apparently carried out its usual policy of doing the work along the most permanent lines, and there is no doubt that the money spent has resulted in a great improvement in both roadbed and equipment.

The City against the amount of \$15,874.51, leaving a debit balance against the City of \$14,275.



is the duty under clause 2(a), the annual charges for interest and sinking funds and the cost of renewing the whole or any part of the railway.

In a report prepared by the Commission in 1910, the estimated expenditure for the railway was fixed at £197,000.00. The Commission in this report up to January 1911, estimated to approximately £288,700.00, so that it was necessary to provide an additional £91,700.00. It is pointed out in the report that the estimate of £197,000.00 was based on the assumption that the railway would be worked at a profit and that it would be more efficient and economical than the existing railway. The Commission has now adopted.

In recommending the railway the Commission has previously carried out the same policy of doing the work at the least possible cost. It is pointed out that the railway is a public utility and that it should be worked at a profit. The Commission has now adopted.



Results of Operation

The loss on operations for the year ended October 31st, 1922, including instalments on account of purchase price payable to the City of Guelph, but not including provision for renewals for 1922, was \$23,574.32, and for the eighteen months ending October 31st, 1922, was \$34,225.64. The loss for the year ended October 31st, 1922, was 38 per cent. more than the maximum \$17,000.00 yearly loss estimated by the Commission's engineers. Had provision been made for renewals in 1922 an additional operation charge of \$6,600.00 would have been incurred, bringing the loss for the year to \$30,174.32, and the accumulated loss for eighteen months' operation to \$40,825.64.

Under the terms of the agreement and the Act, the deficit before noted of \$34,225.64 for the eighteen months ending October 31st, 1922, was payable by the City to the Commission. To the same date there was due and payable to the City by the Commission the sum of \$17,550.00, the amount of three half-yearly payments on account of the purchase price of \$150,000.00. The Commission has credited in its books of account this amount of \$17,550.00 to the City against the deficit of \$34,225.64, leaving a debit balance against the City of \$16,675.64, of which \$11,885.97 still remains owing by the City to the Commission.



# Statement of Expenses

The loss on operations for the year ended October

five, 1933, including investments in bonds at purchase

price payable to the City of New York, but not including

provision for renewals for 1933, was \$23,574.42, and for

the eighteen months ending October 31st, 1933, was

\$24,250.44. The loss for the year ended October 31st,

1933, was \$24,250.44, more than the maximum \$15,000.00

yearly loss estimated by the Commission's engineers.

Had provision been made for renewals in 1933 an estimated

operation expense of \$2,500.00 would have been incurred,

including the loss for the year of \$20,750.44, and the

accumulated loss for eighteen months' operation to

\$20,750.44.

Under the terms of the agreement and the act,

the interest represented by \$24,250.44 for the eighteen

months ending October 31st, 1933, was payable to the City

to the Commission. To the same date there was due and

payable to the City of New York the sum of \$15,000.00,

the amount of three half-yearly payments on account of

the various bonds of \$100,000.00. The Commission has

applied in its books of account this amount of \$15,000.00

to the City against the interest of \$24,250.44, leaving

a debit balance against the City of \$9,250.44, on which

\$1,250.44 will remain owing by the City to the Commission.



Bond and Debenture Issues

The liability of the City to the Commission is, however, not limited to making up annual deficits. Under the terms of the agreement and as provided in The Guelph Railway Act, the Commission, with the consent of the City, may issue bonds from time to time to meet the capital cost of improvements and extensions. The Act further provides that the City shall issue its own debentures to an amount not exceeding \$300,000.00 and shall deposit them with the Commission as collateral security for the purchase price of \$150,000.00 and \$150,000.00 on account of the cost of the rehabilitation of the system. Thus the City, although the creditor of the Commission to the extent of \$150,000.00, was required to issue its own debentures for that amount in order to guarantee the Commission that it would have funds out of which to pay the City.

Pursuant to the Act the Commission issued bonds for \$150,000.00, payable May 1, 1931, and bearing interest at 6 per cent. to cover the amount required for the rehabilitation of the road, and the City issued its debentures for \$300,000.00 to cover this amount and the purchase price, and deposited these debentures with the Commission. Under the terms of The Guelph Railway Act the Commission has power, in the event of any deficit in operations, to require the



THE RAILROAD COMMISSION

The liability of the City to the Commission is, however, not limited to making up annual deficits. Under the terms of the agreement and as provided in the Chicago Railway Act, the Commission, with the consent of the City, may issue bonds from time to time to meet the capital cost of the system. The Act further provides that the City shall deposit with the Commission as collateral security for the purchase price of \$150,000.00 and \$150,000.00 on account of the cost of the system. Then the City, although the liability of the Commission is for a term of 20 years, and the bonds are to be paid by the City, the Commission in order to guarantee the Commission that it would have funds out of which to pay the City.

Pursuant to the Act the Commission issued bonds for \$150,000.00, payable May 1, 1931, and bearing interest at 5 per cent. It also received from the City the redemption of the bonds, and the City issued its debentures for \$150,000.00 to redeem the bonds. Under the terms of the Chicago Railway Act the Commission has power to issue bonds to meet its obligations.



City to pay the deficit, and in the event of the City failing to do so it may sell the debentures of the City so deposited with it to the extent of the deficiency, and meet the deficiency in this way.

The Act further authorized the Commission, with the consent of the municipality, to issue additional debentures from time to time as needed for extensions and betterments of the system, and it further provided that, if required by the Commission, the City shall issue bonds for an equal amount and deposit them with the Commission, to be sold by the Commission in the event of the deficit, if any, in the working of the railway, not being paid to it by the City. In the words of the Act:

"If the Corporation shall make default in payment of any such deficit the Commission shall thereupon sell or otherwise dispose of so much of the debentures of the Corporation as shall be necessary to supply such deficiency at such rates of discount or premium and on such terms and conditions as the Commission in its sole discretion shall deem to be in the interests of the railway, the proceeds of such debentures being used solely for the purposes herein contained."

In addition to the original issue of bonds of the Commission for the purposes of rehabilitation, the issue by the Commission of additional bonds amounting to \$150,000.00, maturing May 1st, 1931, and bearing interest at 6 per cent. per annum, was authorized by by-law of



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so deposited with it to the extent of the deficiency,  
and meet the deficiency in this way.

The Act further authorized the Commission, with

the approval of the Legislature, to make such  
provisions for the time being as may be necessary  
and betterments of the system, and it further provided  
that, in the event of the Commission, the City shall have  
power to make such provisions as may be necessary  
mission, to be made by the Commission in the event of  
the deficit, it may, in the working of the railway, not  
be made by the City.

"If the Corporation shall make deficit  
in payment of any such deficit the Com-  
mission shall thereupon sell or otherwise dis-  
pose of so much of the debentures of the  
Corporation as shall be necessary to supply such  
deficiency at such rates of discount or  
premium and on such terms and conditions  
as the Commission in its sole discretion  
shall deem to be in the interests of the  
railway, the proceeds of such debentures  
shall be used for the purpose of  
in connection."

In addition to the original issue of bonds of the  
Commission the Corporation at any time, and from  
to the Commission at any time, and from  
the Corporation, and from the Corporation,  
at a rate not less than the rate of interest



the City of Guelph, dated July 31st, 1922. These bonds were issued and pledged by the Commission to the Bank of Montreal as security for a loan to the Commission of \$115,000.00. While, as already pointed out, the Commission has the right to require the City of Guelph to deposit its debentures for \$150,000.00 to secure this second issue by the Commission, it has not yet been required by the Commission to make this deposit.

#### A Cumbersome and Complicated Agreement

It is difficult to understand why the involved and complicated procedure which was taken to place the administration of this railway in the hands of the Commission, was adopted. The agreement entered into between the parties is lengthy and confusing to the lay mind. There was at the time the agreement was entered into, no Legislative authority for making it, and to validate it a Special Act, at variation in some respects with the Hydro-Radial Railway Act, was necessary. The City, under the agreement, received no financial benefit and placed its railway for a period of fifty years, subject to renewal, in the hands of administrators in the personnel of which many changes must necessarily take place during this period and appointments may at some time be made to the Commission unsatisfactory to the citizens of Guelph. Without remedial legislation, which







it might be difficult or impossible to secure, the City would be helpless.

The desire and intention of the Corporation might more simply and effectively have been accomplished by the election by the Corporation, as the sole shareholder of the railway, of members and officers of the Provincial Hydro-Electric Commission to constitute a Board of Directors of the Railway Company to administer the railway during the pleasure of the Corporation. If at any time this Board were unsatisfactory to the Corporation, it might elect in the place of the members and officers of the Commission, directors more in accord with the ideas and wishes of the municipality.

#### Sinking Fund Reserve

The Power Commission Act provides that the setting aside annually of money to provide for payment of the bonds may be deferred for a period of five years after the beginning of operations but that it shall be provided within the following thirty years. The Hydro-Electric Railway Act and The Guelph Railway Act, however, provide that the period of setting up a sinking fund may be deferred for a period of ten years and that sinking fund charges sufficient to pay off the bonds shall be spread over a period of forty years from that date, so that under The Guelph Railway Act a sinking fund sufficient to provide for payment of the bonds will not be completed until the expiration of fifty



it might be directed to the Commission to be made, and it  
would be helpful.

The desire and intention of the Corporation might  
have simply been to have been accomplished by the  
action of the Corporation, or the action of the  
the railway, or members and officers of the Provincial

Special-Service Commission to constitute a Board of  
Directors of the Railway Company to administer the rail-  
way during the absence of the Corporation. It is not the  
policy of the Corporation to have the Corporation, it might  
also be the case in the future with officers of the Com-  
mission, although there is no doubt that the Commission and the  
of the municipality.

Article 100

The Town Commission Act provides that the setting  
of the railway at any time is subject to the power  
may be deferred for a period of five years after the be-  
ginning of operations but that it shall be provided within  
the railway within three years. The Special-Service Commission  
Act and The Railway Act, however, provide that the  
period of setting up a railway shall not be deferred for a  
period of five years and that setting up a railway shall  
be set out the same shall be subject to a period of three  
years from that date, or that under the Special-Service Act  
a railway shall be subject to a period of three  
years and it shall be subject to the railway at this



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years from May 1st, 1921. As the bonds already issued fall due in 1931, there will be no funds available to apply on them at that time and a new issue will have to be made for the full amount. The deferring of the period for beginning to build up a sinking fund for ten years and then spreading it over a period of forty years appears to us to be an unreasonably long time and hardly in accord with the principles of sound finance. If the sinking funds on the forty-year basis had been set up when the Commission assumed control, the annual contribution to it would have been \$1,578.00, and the annual deficit would have been increased by this amount. The accumulated loss for the eighteen months' operations to October 31st, 1922, would have been approximately \$43,000.00.

#### Reserve for Renewals and Contingencies

When taking over the railway, the Commission very properly provided a fund for renewals and contingencies. During the period which ended October 31st, 1921, the amount set aside for renewals was \$1,998.73. The renewal fund for the year which ended October 31st, 1922, if fixed on the same basis, would have amounted to \$6,600.00. On December 13th last, however, the Commission acting on the report of Mr. Gaby, the Chief Engineer, passed a resolution providing that no reserve for renewals should







be charged during the period of rehabilitation. Our Accountants, Messrs. Price, Waterhouse & Co., advise that the setting up of the renewal fund was a businesslike and proper action on the part of the Commission and that it was improper to discontinue it. As we have already stated in our report on the Windsor system, we fully concur in their opinion. In the case of street railways the obsolescence of the rolling stock and the depreciation of the roadbed and equipment is very marked, and the setting up of a renewal reserve from the first is a sound policy. In the City of Toronto where many millions of dollars have been spent on rehabilitation since the road was taken over by the City, \$1,012,827.00 has been set aside for depreciation and \$425,107.97 for sinking funds during the first sixteen months of operation, while in the City of Guelph nothing whatever has been set up for either.

#### Fares

In December, 1919, Sir Adam Beck addressed a public meeting at the Opera House in Guelph and, according to the report in the "Guelph Daily Herald", said he did not believe in increasing fares and had asked the engineers to base the estimates in Guelph on the present fares - at that time a straight five-cent fare or six tickets for



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the setting up of the renewal fund was a businesslike  
and proper action on the part of the Commission and that  
it was improper to discontinue it. As we have already  
stated in our report on the Windsor system, we fully  
concur in their opinion. In the case of street railways  
the Commission at the Valley Forge was the same  
of the roadbed and equipment is very marked, and the  
setting up of a renewal reserve from the first is a sound  
policy. In the City of New York where many millions of  
dollars have been spent on rehabilitation since the road  
was taken over by the City, \$1,012,627.00 has been set  
aside for rehabilitation and \$251,707.77 for standing track  
during the first sixteen months of operation, while in  
the City of New York nothing whatever has been set up for  
rehabilitation.

THIRD

In December, 1912, Sir Adam Beck addressed a  
public meeting at the City Hall in Chicago and, according  
to the report in the "Chicago Daily Herald", said in the  
course of his remarks that he was sure the Commission  
to have the attention of Chicago on the ground that - at  
that time a complete knowledge of the situation for



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twenty-five cents. The following comment on the same subject is taken from an editorial in the "Guelph Mercury" dated December 9th, 1919:

"The matter of fares was another stumbling block, some of the Aldermen thinking that these might be jumped beyond all reason and the public put to inconvenience thereby, forgetting that Sir Adam Beck had stated that the Hydro Engineers figured that the present fares would be ample."

On November 1st, 1922, the cash fares were increased from five to six cents or an increase of twenty per cent. It was stated that as twenty tickets may still be purchased for one dollar, the fares have not been increased for those who purchase tickets in quantity. The car users as a whole appear, however, to be paying a substantially increased fare. The average fare paid by all passengers in the year ending October 31st, 1922, was 4.91 cents, whereas for four months ending February 28th, 1923, the average fare was 5.43 cents.

#### Taxes

There is no reference in The Guelph Railway Act or in the agreement to assessment and taxation, except as to adjustment of accrued taxes to May 1st, 1921. Under the agreement the Commission undertook to construct and maintain pavements between the car tracks and for eighteen inches on the outside of each rail. The City apparently







did certain paving work for which the Commission was liable, as it was credited by the Commission in the fiscal year ending October 31st, 1922, with the sum of \$3,176.81 for local improvement taxes.

No taxes are paid to the Province under the Corporation Tax Act. There appears to us to be no reason why the Guelph Railway should not, in the matter of taxes payable to the Province, be on the same footing as any other railway.

#### Power for Operation

The agreement provides that the Commission is "to supply electrical power or energy for operation of the railway at rates consistent with those charged to Municipal Corporations". Since the date of acquisition the railway has obtained its power from the City of Guelph and paid for same on the following basis:

\$1.25 per h.p. per month on maximum demand,  
plus 1/2 cent per K.W.H. on actual consumption.

#### Conclusion

In conclusion we respectfully draw attention to the fact that the revenues of the railway are placed in and the expenditures for it are made from the "General Fund" of the Commission established in pursuance of

The various studies with the various committees have  
 indicated that it was necessary to the House  
 to be ready October 15th, 1933, with the sum of \$2,144.41  
 for local improvement taxes.

No taxes are paid to the Province under the  
 Corporation Law Act. There is no tax on profits  
 and the United States should not, in the matter of taxes  
 payable in the Province, be in the same position as the  
 other States.

Local Tax Committee

The committee has the honor to acknowledge the  
 receipt of the report of the committee on the  
 "an equally important part of carrying the operations of  
 the railway as to the conditions with these matters as  
 financial corporations". There are some of the conditions  
 the railway has received the report from the City of  
 design and held the same on the following basis:

\$1.25 per d.p. per month on maximum demand,  
 plus 1/2 cent per H.W.H. on actual consumption.

Conclusion

In conclusion we respectfully draw attention to  
 the fact that the revenues of the railway are placed in  
 and the expenditures are to be made from the "General  
 Fund" of the Government and it is suggested in reference to



Section 5(b) of the Power Commission Act, the application of which Section to other than power revenues and expenditures has been called in question.

Herewith we transmit copy of report of our Accountants, Messrs. Price, Waterhouse & Co., on the Guelph Railway.

DATED AT TORONTO, APRIL 30TH, 1923.

COPY

(Signed) W. D. Gregory, Chairman

M. J. Haney

Lloyd Harris

J. A. Ross

R. A. Ross.

THESE ARE THE ONLY TWO COPIES OF THE DOCUMENTS.

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